

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

UNCLAS STATE 265057

FOR DEPUTY ASSISTANT SECRETARY JULIUS L. KATZ

FOLLOWING REPEAT TEHRAN 10771 ACTION SECSTATE INFO ABU DHABI
ALGIERS BAGHDAD CARACAS DOHA JAKARTA JIDDA KUWAIT LAGOS QUITO
LIBREVILLE TRIPOLI DATED 5 NOV 75

QUOTE

UNCLAS TEHRAN 10771

E.O. 11652 N/A

TAGS: ENRG, OPEC, IR

SUBJECT: REQUEST FOR OFFICIAL INFORMATION ON CRUDE OIL

REF: STATE 250957

1. FOLLOWING ARE EXCERPTS FROM NIOC LETTER TO CONSORTIUM REPRESENTATIVE ADVISING HIM OF NEW OIL PRICES:

"ON BASIS OF NEW MARKET PRICE OF \$11.51 PER BARREL FOR MARKER CRUDE AND CONSIDERING DOWNWARD ADJUSTMENT IN PREMIUM ON IRANIAN LIGHT, NEW MARKET PRICES APPLICABLE TO IRANIAN CRUDES SHALL BE:

A. \$11.62 PER BARREL FOB KHARG FOR IRANIAN LIGHT, AND

B. \$11.495 PER BARREL FOB KHARG FOR IRANIAN HEAVY.

"MARGIN OF PROFIT PER BARREL FOR CRUDE OIL PURCHASED BY TRADING COMPANIES FROM NIOC SHALL BE THE FIXED SUM OF 22 US CENTS.

ACCORDINGLY, PRICE PAYABLE BY EACH OF THE COMPANIES TO NIOC UNDER SALE AND PURCHASE AGREEMENT AS FROM OCTOBER 1, 1975

SHALL BE THE SUM OF:

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A. FOR IRANIAN LIGHT FOB KHARG (11.62 MINUS 0.22 MINUS

ACTUAL PER BARREL PRODUCTION COST), AND FOR THE IRANIAN HEAVY FOB KHARG (11.495 MINUS 0.22 MINUS ACTUAL PER BARREL PRODUCTION COST).

"PLUS,

B. THE ACTUAL PER BARREL PRODUCTION COST.

"THE ABOVE PRICES WILL BE SUBJECT TO GRAVITY ADJUSTMENT OF 0.15 US CENTS PER BARREL FOR EACH 0.1 DEGREE API."

2. REASON FOR SUBTRACTING ACTUAL PER BARREL PRODUCTION COSTS AT ONE POINT AND ADDING IT BACK LATER IS THAT PRODUCTION COSTS FOR BARRELS LIFTED IN A GIVEN MONTH ARE 15 DAYS AFTER THE END OF THE MONTH WHILE REMAINING PAYMENTS ARE MADE 45 DAYS AFTER END OF MONTH.

NIOC CONSIDERS THAT UNDER PETROLEUM ACT SIMPLE LETTER FROM NIOC TO THE CONSORTIUM CONSTITUTES FULL AND ADEQUATE LEGAL NOTICE TO COMPANIES OF PRICE CHANGES. THUS LETTER CITED ABOVE WILL BE ONLY OFFICIAL NOTIFICATION. IRANIAN LAW DOES STILL PROVIDE FOR PAYMENTS BY COMPANIES OF ROYALTIES AND TAXES. MANNER IN WHICH COMPANY PAYMENTS WILL NOW BE DIVIDED AMONG ROYALTIES, TAXES, AND BALANCING MARGIN, HOWEVER, HAS NOT YET BEEN DETERMINED. INSPIRE OF LAWS ON BOOK NIOC CONSIDERS OIL BEING SOLD FOR "SINGLE PRICE."

DEPARTMENT WILL NOTE THAT NIOC LETTER MAKES NO REFERENCE TO POSTED PRICE. COPIES OF LETTER FOLLOW BY AIRGRAM.

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